

## [Transcript] My First Million / SPECIAL: The Rothschilds (Part 1)

All right.

Quick break to tell you about another podcast that we're interested in right now, HubSpot just launched a Shark Tank rewatch podcast called Another Bite.

Every week, the hosts relive the latest and greatest pitches from Shark Tank, from Squatty Potty to the Mench on a Bench to Ring Doorbell, and they break down why these pitches were winners or losers, and each company's go-to-market strategy, branding, pricing, valuation, everything.

Basically all the things you want to know about how to survive the tank and scale your company on your own.

If you want to give it a listen, you can find Another Bite on whatever podcast app you listen to, like Apple or Spotify or whatever you're using right now.

All right.

Back to the show.

All right.

Today, we have a special episode.

It is the biography of the Rothschilds family, which, if you're not a history buff, that doesn't sound interesting right off the bat, but I'm going to explain to you why we're doing this.

So Ben, who's our producer, he has this podcast called How to Take Over the World, and it is a historical podcast, but talks about the biographies of people.

So we're talking history as in like Alexander the Great, but also recent folks like Walt Disney's coming out soon, then he has Steve Jobs that's out now, and it's kind of like listening to a biography, but over the course of two episodes, amazing.

And all of the episodes are about basically business people or people on achieving great things.

So Napoleon, things like that, you know, people who are great leaders, people who are great inventors, like Thomas Edison.

It's amazing.

You're going to take it.

This one's about the Rothschild family.

I wasn't eager to listen to this when I first got into it, and then I like got 10 minutes into it.

I was like, oh my God, I'm hooked.

And I could not stop listening to it.

Basically we hear about the Rothschilds now.

They're like some secret family that like controls the world's banks or some crazy conspiracy theory like that, but they started in the 1800s in Europe, but they were eventually all over Europe and they started a bank.

They were mostly honest people and it's just a crazy fascinating story.

So give this a listen.

This has been from how to take over the world.

This is a two episode podcast and we're dropping them both at the same time.

Part one and part two.

Check it out.

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If you want more, let us know the Sampar on Twitter or Sean VP on Twitter and then look up Ben Wilson from how to take over the world.

Hello and welcome to how to take over the world.

This is Ben Wilson.

So I was thinking of doing an episode on the richest person of all time because being really rich sounds nice and I would like to learn how to do it.

But first I had to figure out who is the richest person of all time.

And as I was reading up on different arguments for different people, I read this really interesting story.

And the story goes something like this.

It's the middle of the 1800s and clouds of war are forming over Europe.

France and Germany are at each other's throats once again and people are just braced for war waiting for it to break out at any moment.

In the middle of this situation, there is an old grandma sitting in her attic on her rocking chair.

A friend comes to visit her and they're chatting about the news and the friend says, you know, this situation is so horrible.

I'm so worried.

It looks like war is going to break out again.

And the old grandma says, oh, don't worry, war won't break out.

My sons won't allow it.

And she's right.

Despite everyone's fears, the year comes and goes without a war.

Now that's pretty impressive.

Obviously my ears perked up when I heard that because if you're interested in people who have taken over the world, that sounds like it fits the bill.

Apparently these sons were so powerful that they could control nations.

They could decide who went to war and who didn't.

So who were these guys?

Well, they were the Rothschild sons.

And the Rothschilds are a family of Jewish bankers who originated in Frankfurt, Germany in the late 1700s and spread out across Europe and eventually into the United States.

And they were very, very wealthy.

And some people argue they were the wealthiest family of all time.

You can make a pretty good case for that.

And whether they were the wealthiest family of all time or the second or third wealthiest family of all time, they're up there.

Now that story that I shared about old grandma Rothschild, it's apocryphal.

In all likelihood, it never actually happened.

And in all honesty, the story is an exaggeration.

They couldn't really stop two world powers from going to war.

But while maybe it wasn't impossible to make war without the consent of the Rothschild brothers, by the mid 1800s, the Rothschilds were making decisions on a geopolitical level.

At least one country owes its existence to the Rothschilds, arguably two.

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And you could make the case, and many people have, that in the early 1800s, the Rothschild family decided the outcome of the greatest war the world had ever seen up to that point, the Napoleonic Wars.

You could say that it was really the Rothschilds who beat Napoleon.

Obviously, I have profiled Napoleon on this podcast.

And the volume of his accomplishments is astonishing and impressive.

As a military commander, he won 54, 8, and 2.

And of those eight defeats, only two, Waterloo and Leipzig, were real defeats, the kind that he so often inflicted on his opponents.

But we also know he died completely defeated and out of power.

So how do you win that much?

How do you basically win 54 times, only suffer two big losses, and then still lose the war?

Well, Rothschild is a big reason why.

Their financial capabilities were just as important to that war as the strategic abilities of any general, including Napoleon.

We'll get into the details of all that later, but that, to me, is power.

So I wanted to study the Rothschild family for two reasons.

One is because they were extravagantly wealthy, perhaps the wealthiest family of all time, and so I wanted to discover the secrets of that wealth, how you do that, and secondly, because they were able to turn that wealth into real power.

And as I read the story of the Rothschild family, it became very clear that the strategies to becoming extremely wealthy haven't changed a whole lot over the last 200 years.

And the strategies for turning that wealth into power have not changed either.

You can see a lot of similarities between them and the great financiers and wealth generators of our day.

And I'll point out those similarities as we go, but suffice it to say, if you're looking to be the world's first trillionaire, this is a pretty good story to learn from.

Now, before we start, one disclaimer.

The Rothschilds were powerful, so powerful that they have sparked the imagination of conspiracy theorists all over the world then and now.

Some conspiracy theorists claim that today, in 2019, the Rothschilds secretly run a one-world government and they use their Illuminati ponds to control all the world's governments and all that kind of stuff.

People claim they are the puppet masters who really control the strings.

They're the ones who decide what really goes on.

And a lot of these conspiracies are pretty anti-Semitic.

It's the scary Jews with their Jew gold that are hypnotizing the world and making world leaders do their bidding.

And that is not the case.

The Rothschilds are still a wealthy family to this day, which is pretty remarkable.

It's been a couple hundred years since that all started.

And the Rothschild Bank, amazingly, is still a functioning firm that does pretty well for itself.

But they are far from the richest people in the world these days.

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There's only one Rothschild billionaire, and he's worth just over a billion dollars.

Again, pretty impressive.

I would love to have a billion dollars.

But by comparison, Jeff Bezos is worth well over 100 billion dollars.

So this guy is not deciding the fate of the world and controlling all the world's governments.

So if you do extra research and read some of the conspiracy stuff, don't buy it.

Don't believe it.

I should note my sources.

I mainly relied on two excellent books for this episode.

The first is a biography called Founder by Amos Elon.

And the second is an economic history of the family and its financial firm.

It's called The House of Rothschild Volume 1, Money's Profits.

And that was written by Niall Ferguson.

I should also note the help of my new research assistant, Jack Tingey, who did some excellent work doing extra research on this.

So thank you very much, Jack.

Okay, so let's get into it.

This episode is going to focus on the man who started it all, a man by the name of Mayor Amschel Rothschild.

I'm going to cover the rest of the family in later episodes.

But to talk about Mayor, I want to start with a mental exercise.

Imagine it is the early 1800s, and you are a wealthy merchant headed to Frankfurt, Germany, and you have an appointment to meet Mayor Rothschild.

At this time, he isn't the wealthiest man in the world, but he is already a very successful banker with considerable wealth.

You're on a boat on the main river.

Most traders arrive to Frankfurt by boat.

And as you're first arriving at Frankfurt, you're navigating the busy waters and you notice a large mural on the exterior wall of the city.

And as you look carefully to your shock, you realize that it's a depiction of a large, fat pig with Jews nursing from it and eating its excrement.

Since the man you are going to meet again, one of the richest in the world is himself Jewish.

You find this not only revolting, but extremely shocking.

You pass the mural and reach the docks, and the docks are chock-full of merchants, loading and unloading barrels and bags of every commodity imaginable.

As you pass by these, you notice the wide city walls, which have been turned into promenades walking paths, and you also notice the signs saying no Jews allowed.

As you walk past the walls and into the actual city, you can't miss the enormous cathedral. It looms over the city.

And here the Holy Roman Emperor has been elected for hundreds of years in solemn ceremonies.

Passing by it, you cross the main street and see some of the beautiful, enormous homes.

Your mind begins to race.

You start scanning the houses to see if you can figure out which one is Rothschild's.

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And obviously, you're looking for one of the biggest ones.  
You ask a man on the corner, which house Mr. Rothschild lives in.  
Rothschild, he says, he doesn't live here.  
He lives in the Judengasse, the Jewish quarter.  
He points you in the other direction, and so you start walking towards this Judengasse.  
And you smell it and hear it before you see it, 10,000 people packed into a single city block.  
Now, the Judengasse isn't really just a city block.  
It's a world within a world.  
It is completely walled off.  
You have to enter through a gate.  
And as you pass through the gate, a guard tells you that you have to be out before nightfall, when the gates are locked, shutting the Jews in for the night.  
As you get your first glimpse inside, you can barely believe how many people there are in this packed space.  
The Judengasse had grown significantly over the years in terms of population, but it had not been allowed to grow at all in terms of space.  
The consequence was a truly extraordinary level of overcrowding.  
They had these extremely skinny houses.  
I'll post a picture on Instagram.  
They're the skinniest houses you've ever seen right next to each other all along the street.  
And there are houses on top of these houses and houses behind these houses where their backyards should be.  
There were no more yards in the Judengasse.  
There was not a single shrub or piece of grass or tree or bush anywhere in it.  
Every last inch of the neighborhood had been filled with houses, shops, and people.  
And so you ask someone on the street where the Rothschilds live, and they point you toward a home pretty much like any of the others, nice, yes, comfortable, sure, but not significantly different from the many other homes around it.  
You walk in the bottom floor of the house to find the banking operation.  
And Mayor is there, very much involved, and Mayor is there, very much involved in the day-to-day affairs, and his wife and daughters are helping keep the books.  
He's also employed a few local Jewish boys to help out, at least one of them from less fortunate circumstances.  
Mr. Rothschild greets you personally, and that's where we'll leave off this mental exercise.  
I'll let you imagine the deals that you strike with him and the fortunes that you make.  
All right, a quick message from our sponsor.  
You know, I was thinking about the shortest day of the year earlier, and while we technically have the same amount of time as every other day of the year, the lack of daylight makes it feel so much shorter, which is exactly the same kind of feeling as working with disconnected tools.  
Our workday is the same length as always, but before you know it, we spent three hours just fixing something that was supposed to be automated.  
Thankfully, HubSpots, all-in-one CRM platform, can serve as a single source of truth for

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managing your customer relationships across marketing, sales, service operations with multiple hubs and over a thousand integrations and an easy-to-use interface, HubSpot lets you spend less time managing your software and more time connecting with your customers. Learn how HubSpot can help you grow your business at [HubSpot.com](https://www.hubspot.com).

Now, that contrast is obviously pretty surprising.

The modern equivalent is like Jeff Bezos, the richest man in the world, or African-American, and he still lived in a predominantly black neighborhood in Birmingham, Alabama, or something like that.

Except it's also 1950, and the Jim Crow laws are still on the books.

And as I read more and more about this story, I was blown away that the Rothschilds were able to fight such incredible oppression to be able to achieve the heights that they did.

The Rothschild family had lived in the Frankfurt ghetto for hundreds of years, but they probably should have come from somewhere else, I mean, really anywhere else.

Frankfurt was terribly oppressive towards Jews at the time.

They were forced to pay higher taxes than their Christian neighbors.

They were forced to pronounce loyalty oaths that proclaimed them members of a cursed race.

They were not allowed to farm or trade in most types of commodities.

And if a Jew was walking on the street and someone said, Jew, pay your dues.

They had to take off their hats, step aside, and bow.

They wore insignia, marking them out as Jews, yellow patches for men, and veils for women.

And this is all at a time in Europe in the mid-1700s when the idea of natural human rights was sweeping through Europe.

And yet Ludwig I of Bavaria, Holy Roman Emperor, defined the Jews of Frankfurt status this day.

He said, quote, you are ours in body and possession.

We may make, do, and deal with you as it pleases us.

And by the way, this was not typical.

I mean it when I say the Rothschilds probably should have come from any other city.

It's not like every European city, or even every German city, treated its Jewish inhabitants this way.

Frankfurt was known for its harsh treatment of Jews.

They wanted to be known for their hatred of Jews.

You can see this in the mural I was talking about at the beginning of the episode.

This was one of the most prominent pieces of public art in the city, and it's a mural of Jews eating excrement from a pig.

So this is not a city that was quietly anti-Semitic.

It was very upfront about it.

It was proud of it.

And so Mayor Amschel Rothschild is born into this environment in 1744.

In terms of physical appearance, Elon describes him as, quote, tall with large, penetrating eyes, a high forehead, sensuous lips, and a good-natured, ironic, some may have thought it sly, smile.

His family had only recently acquired the name Rothschild.

The name means red shield, or red coat of arms.

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The family had lived in a house that had a red sign out front, and therefore had become known as the red shield family, the Rothschild family.

You can kind of hear the resemblance in English.

English is a Germanic language, after all.

Red shield, red shield, Rothschild.

Mayor's father was a small-time moneylender and merchant, and they were not very wealthy. They were middle class for the Judengasse.

And as we have established, they were pretty tough conditions in the Judengasse.

Virtually all the houses in the neighborhood were split between multiple families, and the Rothschilds were no exception to that.

Their family had a part share of a house and shared their home with a couple other families.

Rothschild received a typical Jewish education as a young man, which was virtually entirely religious, and he carried this devotion with him his entire life.

He visited the synagogue and prayed almost every single day.

His father died when Mayor was just 11 years old, and his mother when he was 12.

He was raised thereafter by his older siblings and other relatives, but they didn't have to do it for too long.

When he was 13 years old, Mayor was apprenticed to a wealthy merchant named Oppenheimer in the German city of Hanover.

And this is a stroke of good luck.

It was a really nice placement for him.

In this apprenticeship, Mayor learned the ins and outs of international trade and money exchanging, and he was learning from a good source.

Oppenheimer is one of the most successful Jewish bankers in Germany.

And by the way, I say Germany, but there was no concept of Germany at the time.

It was not governed as a whole, and the people living in the area we now know as Germany felt little to no patriotism or kinship with one another.

The cities were independent, free cities, often with little in common.

For example, Frankfurt was really terrible towards Jews, and Hanover, where Mayor apprenticed just 160 miles away, was one of the most tolerant cities in Europe.

In Hanover, he had many of the basic freedoms that were missing in Frankfurt.

So imagine growing up in the conditions that Mayor did, and all of a sudden having your entire world open to you.

You go from living literally your entire life in a single, loud, smelly, dark city block to being able to go wherever you want.

And no one's making you wear a yellow patch or bow to Christians on the sidewalk or any of that kind of stuff.

And yet, when he was done with the apprenticeship, Mayor returned to Frankfurt, married a girl from Frankfurt, started having children in Frankfurt, and stayed there for his whole life.

He was always incredibly close with his tight-knit Jewish community, and as far as I can tell, he never considered leaving the city.

In Frankfurt, Mayor goes and joins his older brother, Kalamann, in business and becomes a small-time lender and merchant.

This is in 1763.

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Mayer is 19 years old, and this isn't exactly highfalutin international banking.

This is really basic stuff.

But he achieves quite a bit of success from the get-go.

And why is he able to have success from the get-go in what is a rather common and unglamorous business?

Well, you might remember from the Caesar episodes that my theory is that the number one common attribute among the great ones is not intelligence or charisma, it's energy.

People who achieve great things have just tons of energy.

So of course, I was not surprised to see this as the second sentence in the Elon biography.

Again, this is the second sentence in the whole book.

So, Rothschild was a man of seemingly inexhaustible energy.

So again, this is just more proof of that theory.

If you're looking to identify people who are going to achieve greatness, ask yourself not who's the smartest or who's the most charismatic, but who is the one with the inexhaustible energy?

Who is the one that can keep going and going and going?

Okay, so what is Rothschild doing with all his boundless energy?

He would love to be doing international banking, just like the man he apprenticed for, but that's not an opportunity available to him at this moment in time.

He doesn't have the connections, and even more importantly, the necessary capital, the money.

You have to have money to lend money, obviously.

But Mayer is a pretty smart guy, and he has a plan.

He needs money and he needs connections, and he figures out a way that he can do both at the same time.

He starts to specialize in dealing in rare coins and metals.

At the time, the nobility of Europe loved to collect that kind of stuff, and Mayer develops a really smart business model.

He basically creates a mail order business before there was such a thing.

He created beautiful catalogs.

People remarked on them at the time.

They were incredible.

Remember, he's selling to the nobility, and really only the nobility that is in central Europe pretty close to Frankfurt.

So this is a limited customer base, and he doesn't have to mass print these catalogs, so they're bound to books with gold embossed lettering on the front, and they're really beautifully crafted.

Uncommonly, for this day and age, these noblemen could look through the catalogs and then choose the metals and coins they were interested in, based on the descriptions provided, and Rothschild would send them the metals and coins for free.

They could look them over, choose which ones to keep, send back the rest, again, free of shipping, and only then was payment required from them.

You can see the similarities to these internet direct-to-consumer businesses that do so well today.



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Mayer's business is almost like a Warby Parker or Casper mattresses or something like that. This is one of the most fascinating parts of Rothschild's career to me, because it is so relatable to our current day.

He understood his customers well, he knew what they wanted, and he provided value and made it easy for them to purchase, and for that, he got a successful business.

The business, again, was not just successful for the money it was bringing in, which was good but was not quickly making him the richest man in the world, but it was more important for the people it was connecting him with.

There is some truth to saying, it's not what you know, it's who you know.

And I would add, it's not just who you know, it's how you know them.

And Rothschild is meeting some really important people, German princes and dukes, and he's meeting them in a really important way.

He's given the opportunity to do work for them.

They all know he's reliable, trustworthy, hardworking, and that he's giving them good deals.

And all these dukes and princes now know that they can trust Mayor Rothschild.

So if your ultimate goal is to do international banking for these guys, well, that's a pretty good start, right?

And by the way, his friendly relations with these ruling elites is getting him the ability to travel freely and freed him from many of the restrictions placed on his fellow Jews in Frankfurt.

At the same time, because he's gaining a little bit more money, he's also starting to trade commodities like cotton, coffee, and sugar, and doing some small-time banking and lending.

Now, during this venture, he has the good fortune of selling coins to someone named Wilhelm, the Landgrave of Hesse Castle.

Now, Landgrave is not a word that we hear a lot today, but it was a noble title that was basically the equivalent of Duke.

And Wilhelm is one of these great characters.

He's a larger-than-life guy.

Wilhelm occupies this unique spot in that he's not quite as powerful as a king when it comes to land, armies, and prestige.

However, Wilhelm did have a fortune that could rival that of any king.

He was not by many to be the richest man in Europe, and he may well have been.

He had inherited a bunch of money from his dad, but he also did a lot to make himself even more.

He was a shrewd enthusiastic businessman.

In one of the biographies, Founder, it refers to Wilhelm as one of the best examples we have of a pure capitalist.

In other words, this guy loved getting money just for the sake of getting money.

He was like an Ebenezer Scrooge type.

I must say, he fathered something like a dozen children out of wedlock, so it wasn't just for the sake of getting money, he apparently enjoyed other activities as well.

But Wilhelm, as you might guess, was not exactly a paragon of charity and virtue.

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He was very cutthroat, he was suspicious and unyielding, but one good thing about Wilhelm was that he was not prejudiced at all.

I mean, he wasn't some open-hearted guy who was a true believer in religious and racial tolerance.

At least, I don't think so.

There's nothing in the historical record to indicate as much.

But if you could help him make money, he didn't care if you were Christian, Jewish, Black, White, whatever.

He liked you.

And Wilhelm's territory was very close to Frankfurt, so this is an ideal partner for mayor.

Again, here's a guy who's got a huge fortune, the largest in Europe, and he's trying to invest it, he needs help doing so, he's not a prejudiced against Jews, and he's close by.

So Rothschild wants to be a banker for him, obviously.

But that's easier said than done.

Wilhelm already had bankers.

And at this point, Rothschild is just someone who sells him coins and metals from time to time.

Something happens that helps change this in 1776.

If you're American, the significance of that year is probably not lost on you.

It's the beginning of the American Revolution.

And if you can go way back to elementary school when you were learning about the American Revolution, you may remember that there were some other troops fighting along the British.

And they were called the Hessian mercenaries.

And these are Wilhelm's troops.

He is the ruler of Hesse.

And so he's basically renting his men out to the British, and the British Empire was extremely wealthy and paid a lot of money for these troops.

But then the question arises, if you're the British king, how do you pay Wilhelm for his men?

You can't send him British money, British pounds, because what's he gonna do with that?

You can't buy anything in Germany with British pounds.

And you don't want to send him a local German currency because you're the British, you don't have any.

So what ends up happening is that Britain sends Wilhelm promissory notes that can be redeemed for British pounds in London.

Wilhelm then has to sell those to intermediaries at a discount, who sell them to other intermediaries who redeem them for British pounds.

So are you with me?

So let's say Wilhelm sells his soldiers to Britain for a million pounds.

So they give him 10,000 pieces of paper that say this is worth 100 pounds in London or whatever.

He then sells those papers to local bankers for maybe 90% of their value.

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Those bankers auction them off to merchants for let's say 95% of that value. And those merchants do the work of actually traveling to Britain and redeeming the notes for British pounds for full value. So it's basically like a big game of telephone where everyone takes a little cut of the British pounds as they make their way back to London. That's a little bit of an oversimplification, even though it wasn't that simple, but it will work just fine for our purposes. This is called discounting. And for a talented banker, this business could be really profitable. So Rothschild starts with rare coins, but he really wants to help Wilhelm to discount these notes. However, Wilhelm already has well-established bankers to do this. He likes Rothschild well enough for selling him coins and metals, but he's got no reason to give him this big banking deal. But Rothschild does get some smaller pieces of the business. Wilhelm is having big established banks do 95% of the work, but he's getting Rothschild a tiny slice. And in this state, Rothschild, again, is doing well. He's getting wealthier and wealthier. He's one of the richest Jews in the Judengasse, but he's not the richest, and his wealth was certainly nothing to be remarked upon. And this continues until he is 40 years old. These things take time, and he's 40, and he's not even the richest guy in his own neighborhood yet. Admittedly, it's a big neighborhood, 10,000 people, but still. And that's one of the things you realize about these people who accumulate just tons of wealth. They're all really patient, and they let their wealth slowly build over time. But then everything changes for May Rothschild. This is when everything really starts to go from, you know, he's a moderately successful Jewish banker, a merchant, to moving him towards becoming one of the richest people in the world. This is kind of when it all starts, when he's 40 years old. And why? What do you think happens? Think about this. What could take someone from being a very successful businessman, but not anything special, to being one of the richest people in the planet? What would make that difference? And it's something kind of surprising, I'm sure it's not what you're thinking. But let me introduce it this way. Just this weekend, I was reading an article called How to Be Successful, which is obviously right up my alley, by a guy named Sam Altman.

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And Sam is the president of Y Combinator, which is a seed accelerator.

It's kind of like an early stage venture capital firm that invests in companies that are just barely starting, even earlier than venture capital.

And they have helped launch companies like Dropbox, Airbnb, Reddit, Stripe.

Their companies are worth more than \$80 billion in total.

So this guy knows something about, you know, how to be successful and what it takes to found one of the most successful businesses in the world.

And in his article, How to Be Successful, he lays out 13 things you have to do to be exceptionally successful.

And I want to read from number one, the most important principle, according to him, because it's really relevant to how Mayor Rothschild starts to really take off.

So it says, one, compound yourself.

Compounding is magic.

Look for it everywhere.

Exponential curves are the key to wealth generation.

You want to be an exponential curve yourself.

You should aim for your life to follow an ever increasing up and to the right trajectory.

It's important to move towards a career that has a compounding effect.

Most careers progress fairly linearly.

So how does this relate to our good friend, Mayor?

The thing that makes him so successful is that he literally compounds himself.

His sons start coming of age and he incorporates them into the business right away.

He was always a very devoted father.

He focused really hard on raising his sons the right way, making them work hard.

And all five of his sons turn out to be little mini-means.

They're just about as intelligent and energetic as their own father.

So this is the time when his two oldest sons come of age.

Amschel is now 16, he's the oldest, and the second oldest, Solomon, is 15.

And they're able to take up enough responsibility from the main business that it frees up Mayor to do some new things.

First, he starts a transportation and forwarding business.

It starts doing really well and also pays dividends in information.

They're receiving and forwarding mail across all Europe.

And this gives them great access to the news of the day.

And by the way, if you want to see a parallel to the modern day, check out Michael Bloomberg.

He's worth more than \$50 billion.

And how did he become so wealthy?

International finance, much like Rothschild.

And he started Bloomberg News and other financial news related businesses because he knows what Rothschild knew.

Media access to information is crucial for good investing.

So Rothschild's forwarding business is kind of like the Bloomberg News of its day.

He's using it to get news from all over Europe and make intelligent investments from that.

There's this really cool story that I think demonstrates just how important rapid information

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was to Rothschild.

Eventually, he establishes bank branches in other cities.

And of course, they would use their forwarding service to communicate information between branches.

And he uses this information to invest.

Well, a problem arises when the local officials decide that Jews can't be trusted and all their mail needs to be held for a day, read and inspected before it can be picked up.

So what does Rothschild do?

Instead of just waiting and saying, okay, well, all our mail takes a day longer, he instructs his foreign agents to send him mail in colored envelopes and comes up with a coding system.

So you know, for example, a red and white striped envelope might mean that the pound, the British pound is going to rise.

And a blue and white striped envelope might mean that the pound is going to fall, et cetera, stuff like that.

And then at the end of the day, they would finally get the actual letters and be able to read them.

But in the meantime, just by going to the post office and seeing the color of the mail that was coming in for him, he would have information in broad strokes about what was happening in Europe and be able to make investments during the day based on that information.

Now this forwarding business helps the firm to quickly grow.

And then something else happens that helps Rothschild make even more money.

As mentioned at the beginning of the episode, he was hugely influenced by one of the other historical figures profiled on this podcast, Napoleon Bonaparte.

And in 1792, the war of the first coalition begins.

This is France against the coalition that included Austria, Britain and a few other kingdoms.

Wilhelm, who remember, is the land grave of Hessa, the ruler of Hessa, weighed whether he should remain neutral or join the coalition.

And in the end, he chose to join the coalition.

One reason for doing so was that the British offered him a huge cash subsidy to do so.

Rothschild gets hired to provision the Allied army, not just Wilhelm's men, but men from elsewhere in the Holy Roman Empire as well.

And this means both acquiring supplies like wheat and horses and uniforms for the men and also distributing the soldier's wages.

And so that's a ton, you know, he's paying tens of thousands of soldiers.

That's a lot of money passing through.

So why does Rothschild get the contract instead of some of the other rich, even more established Christian bankers at two reasons.

The writer Christian Wilhelm Berghofer, writing in the 1920s with access to original documents from the era, wrote, quote, at this time of the greatest money shortage, Rothschild appeared more resourceful and more efficient than the banking houses, which occupied the prime position not only in Frankfurt, but throughout Germany.

Okay, so, you know, the first reason is he's just far more efficient and resourceful.

He's giving them better prices, better terms.

He's young and hungry and able to negotiate better deals by just being smarter, bottom-line.

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But he's also got this air of dependability.

Here's another quote, this one from a contemporary guy by the name of Loewitz, who says, quote, Herr Rothschild always struck me as unusually solid, prompt, and fully worthy of confidence.

Envy may speak against him, but he is a good man who deserves respect.

It's amazing how much the small stuff has a big effect.

I mean, simply being reliable and prompt and seeming like a trustworthy guy made a big difference for Rothschild.

He's able to get these contracts in part because of it.

Okay, so back to provisioning the armies.

This is a huge complicated task.

Rothschild frankly didn't have the money to do it, but he gets the contract and then he makes deals with other Jewish bankers in his network to help him front the capital necessary to supply the coalition army.

This would be a huge source of income for Rothschild for the next couple decades.

In 1800, mayor became an official crown agent for the Austrians and throughout the Napoleonic Wars continued to aid the anti-Napoleon cause.

Then disaster struck.

In 1806, Napoleon defeated the Fifth Coalition at the Battle of Jaina.

After the Battle of Jaina, Napoleon decided to punish Wilhelm for his show of insolence in joining the coalition.

So Wilhelm's territory was promptly invaded and Wilhelm had to flee into exile.

First in Denmark and then later in Prague.

Rothschild remained in Frankfurt under great risk.

Remember, this is a man who was helping to fund, clothe and arm the armies that had been opposing the French.

Now the French have taken them over and Rothschild could lose everything if they decided to confiscate

his wealth.

But that's not what happens.

No, actually instead of it bankrupting him, the French invasion is what actually makes Rothschild most of his money.

So what happens is Wilhelm secretly turns over all his assets to Rothschild before leaving.

This demonstrates the immense trust that Wilhelm must have had for Mayer and also his lack of options.

Very few people were willing to manage the estate of someone who was, you know, an enemy of the state, someone who was a fugitive.

The French military governor of Frankfurt was suspicious, of course, of Mayer's ties with Wilhelm and kept a really close eye on the Jewish banker and at times Rothschild's house was searched and he was interrogated for hours by French soldiers.

But Mayer was extremely skillful at keeping up the deception and hiding his management of the Landgrave's affairs.

He kept an entire second ledger and this one was falsified.

It didn't include any of the Landgrave's assets and managed to explain away any income from those assets.

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He also went so far as to have a secret basement installed in his house. This basement had a false wall with a secret passageway that led to a neighbor's basement. So that even if the French authorities discovered the basement, he could move money and documents to the neighbor's basement before they could reach it. And by the way, this happened multiple times. And now that Rothschild is fully managing one of the largest estates in Europe, he's playing with a lot of capital. And now is when he can really start to make himself some real money. And this is another lesson. People who are really successful have a, what I like to call a heads I win, tails you lose strategy. If the coalition had beaten Napoleon, Rothschild would have continued to supply them, fund them and make money off their war effort. When Napoleon won instead, Rothschild got to manage Wilhelm's estate and get money that way. So it was like, he found a way that he could win no matter the outcome. The writer and investor Nassim Taleb calls this being anti-fragile. So if you have a fragile strategy, it means it collapses whenever there is a shock. So for example, if you have a business and a recession hits and your business folds, that is a fragile business. The next best thing you can be is durable. A durable business is one that has some cash reserves, maybe, but it's able to make it through a recession without collapsing. It will probably suffer, but it'll make it. But the best thing you can be is not durable, it's anti-fragile. So for a business, that might mean you actually make more money because of a recession. And this is what Rothschild does again and again and again. He's anti-fragile. He's prepared for every eventuality and things that would bankrupt a lesser banker actually end up making Rothschild even richer. 1806 would prove to be a critical year for Rothschild in other ways, too. First, the Holy Roman Empire, which was neither Holy nor Roman nor an empire, but we can get into that later, was finally dissolved. And Frankfurt's status as a free imperial city was rendered null and void. Karl van Dahlberg, the new mayor, made some positive overtures towards the Jewish community, made him, you know, he tried to act like he was a friend of theirs, but he still refused to liberalize Frankfurt's anti-Jewish laws. And mayor would spend much of his later life championing the cause of Jews in Germany and trying to liberalize the laws to allow them to travel and such. Another event that occurred in 1806 was Napoleon's declaration of the Continental System. I know none of my listeners would ever forget a single piece of information from any of my episodes, but just in case you need a refresher on the Continental System, here it is. Napoleon and the French Empire were at war with the British Empire.

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France had a much stronger army and had political control that extended across Europe. However, England had a much stronger navy and more colonial possessions.

England was able to use their navy to completely disrupt trade with France.

The quote is that Napoleon was the master of Europe, but he was also a prisoner there. He complained that he couldn't launch even a fishing boat without it being captured by the British Navy.

So as a way to hit back at England, Napoleon tried to cut off British trade with Europe, and this was called the Continental System or the Continental Blockade.

But as you might imagine, trying to make sure there are no British goods allowed in any port anywhere in Europe from Malaga, Spain to St. Petersburg, Russia is pretty tough.

Smuggling was rampant.

It was everywhere.

And one of those people who helped smuggle goods was none other than Mayor Rothschild.

Now the Rothschilds and Mayor in particular prided themselves on integrity.

It's in their family motto, *concordia integritas industria*.

That's Latin for harmony, integrity, industry.

Which is actually a pretty good summary of how Mayor Rothschild achieved so much success.

And smuggling does not exactly seem to fit with that motto.

It doesn't seem like a very honest trade.

But remember, he had already committed to managing Wilhelm's money, which he's managing by keeping it away from the French authorities.

So it is kind of a moral bind.

Does your integrity demand that you submit to the local authorities, and in so doing renege on the commitment you made to watch over your client's money?

Or does integrity demand that you preserve your commitment to your client and lie to the local authorities?

Well for Rothschild, this was made easier by the fact that the Jewish community sided with the coalition.

Which is not what you would expect.

They were prisoners in their own city, who were constantly humiliated and frequently persecuted.

The French, on the other hand, treated the Jews quite liberally.

After all, the French Revolution espoused the ideas of human rights and equal recognition before the law.

And there are a number of potential reasons why the Jews of Frankfurt backed the coalition forces.

Some conjecture that it was like a mass case of Stockholm syndrome, and others guessed that they were just pretty savvy and realized that the French would soon be giving up the territory that they had recently acquired.

And if the old Austrian regime, the old Holy Roman Empire, were put back in charge of Frankfurt and the Jews had supported the French, that would have been interpreted as treachery.

And who knows what the consequences would have been for the Jewish community when they're living amongst an already very hateful populace.

In any case, Rothschild was smuggling goods from England, mostly textiles, and he was doing very well with it, making money hand over fist.



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The problem with smuggling is, you can make a lot of money, but obviously there's also a lot of risk.

Many officials basically turned a blind eye to the smuggling that was quite clearly going on in Frankfurt.

But then, at one point, some higher-ups decided to crack down, and there's a big bonfire in the center of town and the French soldiers burn all the imported British goods.

And a good deal of Rothschild's goods are seized and burned.

Well, Rothschild is traumatized by this.

He says he has learned his lesson, and he is never going to go into smuggling this way again.

And this kind of seems like an overreaction.

After all, he had to have known there was some risk.

His losses from the entire thing were pretty modest.

It didn't sink his business, and yet he was enraged and embarrassed.

It's pretty crazy to read about how traumatized he was by this experience.

So how to explain this reaction.

The reaction reminds me a little bit of Warren Buffett's Rule for Investing.

Rule number one, never lose money.

Rule number two, see rule number one.

Great investors are haunted by their losses.

They hate losing money, and you really see this with Mayer.

Great investors don't love making investments that much more than the average person.

I mean, of course, they like making money, and they're trying to make great investments, but everyone likes making money.

What really sets them apart is how much they hate losing, and you can kind of see that here.

Now, remember, while all this is happening, Rothschild is also running Wilhelm's estate while he's exiled.

Wilhelm had ended up settling first in Denmark, then Prague with members of his court. From these residences in exile, Wilhelm sent Mayer constant letters asking him about the state of his holdings, and Mayer was always a very faithful steward, and he kept Wilhelm in the loop of what was happening.

Mayer's son, Amschel, was attached to Wilhelm's court.

This acted both as a move to prove Mayer's reliability in giving Wilhelm a trusted advisor, and also to have his son in a position to keep an eye on Wilhelm, to make sure he didn't do anything sketchy, which was always a possibility.

To keep Wilhelm informed, Mayer developed a sophisticated system of sneaking letters to and from Prague, right under the noses of the French authorities.

In the letters, Mayer was known as Peter Arnoldi, Wilhelm was known as Goldstein, and they had all these codes.

The Austrians, who were still at war on and off with the French, allowed these secret activities to continue freely, because they helped the war effort quite a bit.

This is a testament to the skill and tact of Mayer.

Even in difficult circumstances, like a war with France, even when dealing with an employer

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as anxious as Wilhelm, Mayer calmly maintained business as usual.

It's very easy for a person of business to fudge the numbers and skim a little bit off the top, especially when their boss lives hundreds of miles away, and can't check up on you.

In fact, if he wanted to, he basically could have seized Wilhelm's entire estate, but Mayer kept his integrity and maintained Wilhelm's interests during the latter's long absence. While he's losing out on money that he could be skimming in the short term, the reputation he's gaining as an honest steward is priceless, and the Rothschild Bank is becoming known as someone that you can really trust your money with.

They'll go above and beyond to make sure that it's cared for, and that you see a return on your profit.

Even if the worst happens and you are exiled from your estate and taken over and everything is seized, Rothschild is still managing to find a way to oversee his client's best interests and make him money in these circumstances.

As this is going on, Mayer's boys are continuing to age into adulthood.

As they do, he's sending them out to build a banking network across Europe.

They would come to be known as the Five Arrows, and they established five banking centers.

His first son, Amschel, as was previously discussed, went to Prague, but eventually came back to Frankfurt to run the original branch.

His second son, Solomon, went to Vienna.

His third son, Nathan, went to London.

His fourth son, Carl, went to Naples, and his fifth son, James, went to Paris.

When it comes to the Napoleonic conflict, two of the brothers matter the most.

The first is Nathan, we'll talk about him more in the next Rothschild episode.

But Nathan was the third son, and he was considered by all the brothers to be the natural leader.

He was the most energetic and intelligent of them all.

And that's saying something.

They were quite the energetic, intelligent bunch.

He was either sent to London or decided to go himself, depending on who you ask.

And London is really where the family started to make real money.

He was at first acting as an exporter, and then he went into what we think of as high finance.

Major investing, making big loans.

But London was the financial capital of the world at the time, and Nathan did very well there.

The other important brother in this business is James, who went to Paris.

James was extremely outgoing, entrepreneurial, and active.

He makes an immediate impact in Paris, and one of the first things he does is to help fund the anti-Napoleonic effort in the war.

They are funding the war efforts of all these governments across Europe to fight Napoleon in the French, if the coalition forces lose, they're in all likelihood not going to be able to pay the Rothschilds back.

So the Rothschilds are very invested in seeing the coalition forces win this war.

You may recall that there were actually two main theaters of war that helped defeat Napoleon.

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The one everyone remembers is Russia.  
He suffered catastrophic defeat there.  
But he actually might have been able to recover from that defeat if it weren't for Spain.  
London invaded Spain, and it turned out to be a huge debacle that tied up resources, diverted his attention, and was a huge contributing factor to his downfall.  
But in March of 1811, a crisis faced the anti-Napoleonic forces.  
The general Arthur Wellesley was leading the British forces in Spain, and the conflict there was really dirty and terrible.  
There were massacres and atrocities on both sides.  
It's a dirty, ugly war, and Wellesley writes to London to say, hey, we need more cash. I can't pay my soldiers.  
And if I continue to not be able to pay my soldiers, I'm going to have to halt this campaign because no one's going to obey my orders anymore.  
The British badly needed cash to pay their troops and their allies in Spain, or else they're risking being completely defeated.  
And if they were defeated in Spain, at this point in time, Napoleon's not in Russia yet, the conflict would be completely over.  
There would be no fighting.  
This was the one theater of war that they were maintaining against Napoleon.  
In London, Nathan gets a contract to pay the British troops in Spain.  
And he gets it because he was the only one bidding.  
No one had any idea how to pay them.  
After all, they're trying to pay men in an active war zone, and they would have to cross enemy lines in order to do so.  
And they needed it in a currency that could be useful in Spain, right?  
So they can't just take British pounds and sail them over.  
So here's what Rothschild does.  
Nathan buys gold using British pounds in London, and the gold bullion is then forwarded to Paris, where James sells it for Spanish currency.  
He then smuggles the Spanish currency in false compartments and carriages to the British forces in Spain, crossing French lines to do so.  
Now this is a massive amount of gold that is entering the city of Paris.  
And James is literally funding the British war effort against the French from Paris, right under their noses.  
So how's he explaining this away?  
Well James tells the French investigators that actually they're moving lots of gold from London to Paris, which is true, because they're losing confidence in the British war effort, which is not true.  
They aren't losing confidence in the British war effort.  
They're paying British troops.  
They're smuggling money from London to Spain, and half the journey is being fully monitored and in fact sanctioned by the French government.  
And these are the kind of bold moves that end up making the Rothschilds the richest family in Europe.

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And of course, we all know what happens next, right?

All this funding, this prolonged continuing war in Spain wears down Napoleon.

He loses in Russia, comes back, is defeated, and is eventually exiled first to Elba and then to St. Helena.

But sadly, Mayor Rothschild actually doesn't live to see this victory.

He dies in 1812.

Now we're talking about, you know, who's the richest man in the world?

And it was never Mayor Amschel Rothschild.

But on his deathbed, he said to his oldest son, Amschel, quote, Amschel, keep your brothers together and you will become the richest men in Germany.

Well, they did.

They became not only the richest men in Germany, but in the world.

He also begged his sons to be charitable and remain faithful to the faith of their fathers.

He ordered his funeral to avoid all ostentation, which it did, but that didn't stop the entire Judengasa from showing up for it.

There were no speeches and he was buried beneath a very plain, simple tombstone.

It should be noted that his wealth was actually very little remarked upon in the Judengasa when he died.

Instead, they all talked about his piety and his charity.

And that's because Mayor Amschel Rothschild was like Santa Claus in the Judengasa.

Seriously, he was always giving away money.

Listen to these descriptions from his contemporaries.

The first one is from a German writer, Ludwig Born.

He said, quote, people crowded behind Rothschild in the streets like a court.

Masses of poor people to whom he gave alms.

If one saw a row of beggars in the street looking pleased and comforted, one knew that the old Rothschild had just passed through.

When I was a little boy, I was passing with my father through the Judengasa and we ran into the old Rothschild coming out of the synagogue.

Rothschild spoke first to my father.

He then addressed a few kind words to me and placed his hand on my head to bless me.

Thanks to this blessing, and although I became a German writer, the cash in my pocket never completely ran out.

Here's another description from another contemporary writer, quote, Rothschild believed that God best rewards those acts of charity for which the donor receives no thanks.

He often walked at night through the Judengasa, pressed a few coins into the palms of all who seemed poor, and hurried on in the dark.

And this type of behavior starts early on for him.

It's not something he does only once he becomes fabulously wealthy.

He was a friend of the destitute and homeless from the time he was a young man.

He should also be noted that he prayed often, and was, quote, very orthodox in his religious observance, but was tolerant of those who were not.

He never moved into a mansion and always wore plain, simple clothing.

Now this is important, both as just a model for how you should live your life, but also

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because I think this whole mindset and philosophy was what allowed his sons to be so successful. Usually if you're rich and you have five boys, at least one of them is going off the deep end.

But the fact that he never dressed fancy, never moved out of their modest Judengasa home, and never displayed their vast wealth, except to pay the poor with it, probably helped his sons to be hardworking and well adjusted.

He also technically only left them the minimum required inheritance.

Now in reality, all his wealth went to his sons, but not as an inheritance.

They became partners in the firm once they had earned it, and then were given a proportional share of the company.

But they weren't just given money for the fact that they were his sons.

They were given money for the fact that they worked in the firm and earned money as members of the firm.

He wasn't a particularly harsh father.

If anything, he was rather doting and kind, but he also had high expectations for his sons and gave them very little for free.

Okay, so let's do an analysis.

To what shall we attribute the phenomenal success of Mayor Rothschild and the beginning of the Rothschild dynasty?

Let me pull out just a few principles.

First, and we've already gone over this, but compound yourself.

Maybe you're not going to be able to do this by teaching your children to behave exactly like you, but you can compound your efforts in other ways.

Each other's mentor them, you know, basically just be a leader.

Leadership is all about learning to compound your efforts through others.

Number two, lesson number two is hate losing money.

I won't harp on this anymore because I also touched on this, but I will also add protect your downside.

When his goods were burned and it shocked and upset him so much, it actually didn't set the business back too much.

The Rothschilds were experts at hedging against risk.

That's the reason he sent his sons to the five corners of Europe with five bases of operations, a single catastrophe couldn't wipe you out.

And that became crucial in the 1930s when the Nazis confiscated a good deal of the Rothschild wealth.

So again, hate losing money and protect your downsides so that you don't lose money very often.

Okay, number three, information is key.

Capital allocation is competitive.

You don't make real money by being smart or hardworking or even by being lucky.

You make real money by being smarter or harderworking or luckier than anyone else.

Rothschild created a lasting advantage for himself by having more information and faster communication.

So you have to think about what your advantages are.

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And information is one of the biggest ones.

This is why it's no secret that Michael Bloomberg, the guy who started Bloomberg News and is the key of financial news, is worth more than \$50 billion.

If you want to make money, learn something that no one else knows.

Number four, start early, go steady.

Whether it's Warren Buffett or Mayor Rothschild or John D. Rockefeller, the great wealth builders start making money as soon as they can.

Compound interest really is the most powerful force in the universe, as the saying goes.

And these great investors and money makers, they're not up and down.

They slowly build their wealth over time.

And over a period of decades, it becomes enormous as it did in the case of Mayor Rothschild.

And the last thing I'll end with is the real lesson from Mayor Rothschild's life.

He told us exactly what he wanted us to remember.

And it's the motto that was adopted on the Rothschild Code of Arms.

Concordia integritas industria, in that order.

Concordia, harmony, Mayor Rothschild always put his family first.

He made his family his business, and he made his business his family.

The result was a family that, despite squabbles and fights from time to time, has stayed mostly united for 200 years.

This was so important to Mayor Rothschild that he even put in his will that any child who disrupted the harmony of the family should be taken out of the will.

They would receive nothing and be kicked out of the firm.

So remember, concordia, harmony, you have to find your family, your tribe, who you will be loyal to and you know will be loyal to you.

The second, integritas, integrity.

Mayor's reputation for honesty and integrity followed him his entire life, and it's what allowed him to continue to have success, and it's the reason people were willing to trust him with their money and let him invest it.

Integrity was incredibly important, and it's not just integrity in normal circumstances, but remember when Frankfurt was invaded, and it would have been so easy to take some of Wilhelm's money.

Or even more so, it would have been easy to just do nothing.

He had made this commitment to look after his estate, but come on, they were being invaded.

Who could have blamed the guy if the French invaded and he said, look, you know, yeah,

I promise to take care of your estate, but you know, what could I do?

We were invaded, but he didn't do that.

He valued his integrity so much that he worked through extremely difficult circumstances to keep maintaining and looking after Wilhelm's estate.

So extreme integrity is something that's really important.

That reputation will stay with you and will help you to be really successful.

The third, industria, industry, hard work.

Remember, the hallmark of greatness is energy.

Rothschild was flat out harder working than any of his competitors, and that's a trait that he passed on to his sons.

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Okay, that does it for this episode.

Next episode, we will be talking about how his sons managed to carry on the legacy and create a financial empire the likes of which the world has never seen.

Until then, thanks for listening to How to Take Over the World.